

Message Text

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PAGE 01 MARACA 00056 042117Z

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SUBJ: INTERAGENCY TASK FORCE TO DEVELOP A NATIONAL EXPORT POLICY

REF: STATE 95673

AS PART OF THE RESPONSE OF THE INTER-AGENCY TASK FORCE TO DEVELOP A NATIONAL EXPORT POLICY, THE CONSUL IN MARACAIBO OFFERS THE FOLLOWING COMMENTS IN WHICH THE EMBASSY CONCURS:

1. MARACAIBO IS A COMMERCIAL INTEREST POST. WE WOULD LIKE TO OFFER TWO SUGGESTIONS ON LEGISLATIVE CHANGES WHICH WE BELIEVE WOULD HELP PROMOTE U.S. EXPORTS. THESE SUGGESTIONS ARE OF PARTICULAR RELEVANCE IN OUR COMMERCIAL WORK HERE, BUT WE BELIEVE THEY PROBABLY HAVE RELEVANCE ELSEWHERE.

2. FROM WHAT WE HEAR, AND OBSERVE, U.S. TAXATION OF OUR CITIZENS OUTSIDE THE U.S. DAMAGES OUR EXPORT POTENTIAL. IN A DEVELOPING COUNTRY MANY EXPORTS INVOLVE THE TRANSFER OF TECHNOLOGY. THIS IS PARTICULARLY TRUE IN WESTERN VENEZUELA. FOREIGN ENGINEERS, MANAGERS AND TECHNICIANS ARE USUALLY REQUIRED DURING CONSTRUCTION, START-UP AND INITIAL OPERATION STAGES OF A PROJECT BECAUSE VENEZUELAN ARE NOT YET FAMILIAR WITH THE NEW TECHNOLOGY BEING USED. THE PROVISION OF TECHNICAL SERVICES IS OFTEN A MAJOR COMPONENT OF A CONTRACT. WHILE EUROPEANS AND

UNCLASSIFIED

PAGE 02 MARACA 00056 042117Z

JAPANESE ARE PAID ROUGHLY THE SAME SALARY THESE DAYS AS AMERICANS, THE AMERICAN IS MORE EXPENSIVE. THE AMERICAN HAS TO PAY U.S. TAXES. FOR THE AMERICANS TO RECEIVE EQUIVALENT DISPOSABLE INCOME, HE MUST RECEIVE A HIGHER GROSS SALARY. THE COST OF THE INCOME TAX IS PASSED ON TO THE CONSUMER. FURTHER, AN AMERICAN, EUROPEAN OR JAPANESE HAS TO BE GIVEN A FINANCIAL INDUCEMENT TO WORK IN LESS DESIRABLE PLACES. THUS, THE INDUCEMENT

COMBINED WITH OUR PROGRESSIVE INCOME TAX COLLECTED OUTSIDE THE U.S. ONLY AGGRAVATES OUR COMPETITIVE DISADVANTAGE.

3. WE BELIEVE IT IS IN OUR INTEREST TO HAVE AMERICANS WORKING OVERSEAS. THEY TEND TO "THINK AMERICAN" WHEN IT COMES TO PLACING ORDERS FOR EQUIPMENT AND SERVICES. EQUALLY, EUROPEANS AND JAPANESE TEND TO THINK EUROPEAN OR JAPANESE IN THE SAME CIRCUMSTANCES. INSTEAD, OUR MOST RECENT TAX LEGISLATION IS FORCING MANY AMERICANS TO RETURN TO THE U.S. THE HIGH PRICES, DIFFICULT WORKING CONDITIONS, DOUBLE TAXATION AND THE PERCEIVED LACK OF SYMPATHY ON THE PART OF THEIR GOVERNMENT HAVE LED THEM TO BELIEVE THAT STAYING OVERSEAS IS NOT WORTH THE SACRIFICE. THERE IS ALSO THE ARGUMENT THAT BY FORCING AMERICANS TO RETURN TO THE U.S. WE ARE IMPORTING UNEMPLOYMENT. WE ARE UNABLE TO EVALUATE THIS LINE OF REASONING, BUT THE TASK FORCE MIGHT WISH TO LOOK INTO IT.

4. U.S. CITIZENSHIP LAW ALSO MAKES U.S. INVESTMENT LESS ATTRACTIVE AND,

AS A RESULT, IN SOME CASES INHIBITS OUR EXPORT EFFORTS AS WELL. WE HAVE SEVERAL CASES OF AMERICANS WHO HAVE ESTABLISHED SUCCESSFUL BUSINESSES IN WESTERN VENEZUELA. THE GOVERNMENT OF VENEZUELA, THROUGH THE SUPERINTENDENCY OF FOREIGN INVESTMENT, IS PRESSING U.S. OWNERS OF THESE FIRMS TO NATIONALIZE (REDUCE TO LESS THAN 50 PERCENT OWNERSHIP). THIS IS LEADING TO SITUATIONS IN WHICH SALES OF THE ASSETS TAKE PLACE UNDER CONDITIONS THAT ARE DECIDEDLY DISADVANTAGEOUS

UNCLASSIFIED

PAGE 03 MARACA 00056 042117Z

TO THE OWNER. ASSUMPTION OF VENEZUELAN CITIZENSHIP BECOME ATTRACTIVE,

TO AVOID THE NATIONALIZATION THREAT, BUT LOSS OF U.S. CITIZENSHIP IS THE RESULT. THE U.S. IN THE PAST HAS ENCOURAGED AMERICANS TO START BUSINESS OVERSEAS. HAVING DONE SO, AND HAVING PAID THEIR TAXES THROUGH THE YEARS, THESE AMERICANS FEEL THEIR GOVERNMENT IS PUNISHING THEM FOR THEIR SUCCESS BY NOT ALLOWING DUAL CITIZENSHIP. OTHER EUROPEAN COUNTRIES ARE MUCH MORE LENIENT IN THIS RESPECT. WE SUBMIT THAT THE TASK FORCE MIGHT WANT TO STUDY THIS PROBLEM.

5. OF ALL THE ABOVE, WE BELIEVE THAT U.S. TAX POLICY IS PRESENTLY THE STRONGEST IMPEDIMENT TO U.S. EXPORTS. U.S. LEGISLATION ON DUAL NATIONALITY ALSO HURTS OUR SUCCESSFUL OVERSEAS AMERICANS. WE URGE THE TASK FORCE TO GIVE CLOSE SCRUTINY TO THESE ISSUES.
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